

**SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN**

March 27, 2002

5:30 PM

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman Wihby.

A moment of silent prayer was observed.

The Clerk called the roll.

Present: Aldermen Wihby, Gatsas, Guinta, Sysyn, Osborne, Pinard, O'Neil, Lopez, Shea, DeVries, Garrity, Smith, Thibault and Forest

Mayor Baines presents budget message.

Mayor Baines stated I would like to present my budget message pursuant to Section 6.03 of the City Charter. The presentation shall include the FY2003 CIP, general fund and all special appropriations. The budget for FY2003 that I announce tonight can hardly be described as a labor of love. Contained within these pages are some of the most difficult decisions I have had to make as Mayor of the city over the past two years. The result is a document that grapples with the reality of an economic downturn and the obligations of the City to provide vital services at the most reasonable costs. What I present tonight is the very definition of a no-frills budget. In fact, as the budget was being prepared someone remarked if you looked up no-frills in the dictionary there would be a picture of this budget. The bottom line is this. I am proposing a budget of approximately \$230 million, including the School District, City departments, service contracts and non-departmental expenses. This is roughly a 5.5% increase of the FY02 budget passed by the Board of Mayor and Aldermen. While no one wants an increase of any size, I believe this budget allows us to meet our obligations to the people to provide important City services and does so at a cost that recognizes the limits of the taxpayers ability to pay. Let me state a few facts at the onset. This budget does not set the tax rate. Let me repeat. This budget does not set the tax rate. This is merely a proposed spending plan for the next fiscal year based upon the information I have to date. The tax rate is actually set in the fall after we have made recommendations and calculations later in the budget process related to revenues, the tax base and other vital financial information. This is also, as we all know, not the final word on City spending for the next year nor should it be. As has been the case each time I presented

a budget and previous Mayor's as well, I fully expect and actually welcome the constructive suggestions from the Aldermen and the public over the next few weeks. The taxpayers will be served most efficiently if we work together and today I ask you to work cooperatively through this process. Together we can meet the challenge head on. A number of economic trends have had an influence on budgetary decisions I have had to make. Before I explain what they are, let me state unequivocally what they are not. The increase in the budget is not the result of excessive discretionary spending on flights of fancy, untested experiments or dubious indulgences. Instead operating expenses are for the most part flat. Department heads were given a mandate to level fund those parts of the budget over which they had control. Few departments will see an increase in operating expenses. Most will be level funded or endure decreases. Tonight I am announcing that we will strengthen some cost savings measures put in place over the past two years. The hiring freeze will continue and, in fact, it has a little bit of a new dimension as of tonight. No position, even if they have been approved over the past several weeks, if they have not been filled they will not be filled until the end of this fiscal year at which time they will be reviewed and I am asking that if any requests of an emergency nature come in, they first must pass the approval of the Human Resources Committee with a recommendation to the Mayor. The efforts of the department heads to reduce their budgets to bare essentials, coupled with an enhanced hiring freeze will give us some flexibility to address significant increases in spending mandated by ever increasing insurance costs and by contractual obligations such as the addition of new teachers at the elementary level. Cities and towns across the nation have joined private employers in the struggle to confront rising health costs. Our provider has indicated that the City should anticipate an 18% increase in the cost of providing health insurance for the next fiscal year. As a percentage of total expenditures, health insurance represents almost 10% of the City's total operating budget – a staggering sum that places extraordinary limits on our ability to craft a budget that is responsive to changing economic times. I am told, however, that if the favorable trends continue this year it is likely that we will be able to realize savings that are not reflected in the budget amount I present tonight. As always, though, I want to err on the side of caution and that is what my budget does. With little room to maneuver in the area of health and benefits, we must investigate and we will investigate new sources of both savings and revenue. I remain convinced that consolidating duplicative administrative tasks performed by more than one department is an imperative. Ladies and gentlemen, it is an imperative and I urge the Board to revisit the proposal for consolidation of certain functions currently performed in the field of human services. We cannot continue to reject such consolidation proposals because of a reflective resistance to change, especially as in the case that was put before this Board when the result was not only cost savings, but also expanded services. It meant cost savings and expanded services. We must continue to look at such initiatives. In the next year or two a number of long serving department heads face retirement. New opportunities for consolidation will present themselves, as will new opportunities for savings. We simply cannot afford to scoff at something merely because it might represent a disruption in the way things have been done. No one likes change but our obligation to the voter's demands that we put aside what is a natural aversion to what is

uncomfortable, unpleasant or difficult. The tyranny of fixed costs like health insurance leaves no other option. I am confident that we can find new ways of doing things because the City actually has a good track record of finding new solutions to old problems. I want to highlight two initiatives. One has already resulted in significant savings to the City and the other is likely to increase revenue. This year, Mr. Clougherty, Joanne Shaffer and Randy Sherman of the Finance Department researched, negotiated and executed the issuance and sale of a series of bond that will result in almost \$6.5 million in savings in the coming years. Sgt. Mike DiSabato, the head of the City's Community Policing Unit, has formed what is known as the Enhancement Team to address neighborhood problems that his officers are made aware of as they interact with people on patrol. Concerns about building and trash code violations prompted Officer DiSabato to form the Enhancement Team, which is made up of representatives from various City departments. The team has devised a plan that is likely to increase revenues from code violations. In both instances, it was the initiative of City employees, without direction from any one on high, to try something that had not been tried before. The results are promising and should inspire the City's political leaders to try something new such as the consolidations that I talked about. In addition to consolidation, another new idea whose time has come is that of a two-year budget. I urge the Board to join with me in working with the legislative delegation to make the true biannual budgeting a reality. Such a move could result in significant cost savings to the City. In my view the current law is not sufficient and that is why I am not proposing it this year. We need legislation that will allow our City to have the same flexibility as the State, a true two-year budget that will allow managers to manage budgets over a two-year period, not with two separate resolutions. That is not the answer nor is it in my view the right thing for our City. We will talk more about that later. I want to talk at some length about the single largest line item in the budget, the roughly \$121 million earmarked for schools. Does this figure represent everything the School District asked for? Absolutely not. Does it stand for the proposition that some would surely contend that Manchester does not care about its schools or its children? It most assuredly does not and I will reject any comments that reinforce that notion. It simply is not true. This allocation represents approximately a \$5.3 million increase over last year's school budget, which will fund the salaries of the new elementary school teachers required in the contract, a significant investment in any year and an extraordinary one this year. Would I like to fully fund the request of the Board of School Committee each year? If I thought the request would directly benefit students and teachers and was also fair to the property taxpayers, absolutely. As an individual conditioned by 32 years as a classroom teacher and building level administrator, my response to a budget request from the schools is almost automatic. I would like to be more generous, but as a Mayor who represents all of the citizens of the City, I realize that I have obligations to every taxpayer and consequently cannot simply rubber stamp the School District's annual request, which exceeded in its presentation to me, \$130 million this year. I call upon the School District Administration to revise its budget to reflect the reality of the economic times in which we live. Even in the midst of an economic slowdown, a city must remain on the move in order to position itself to catch the ebb and flow of future economic tides. A city can

never afford to stand still. To do so is to invite stagnation and to thwart economic development. We must not allow that to happen. This budget looks to the future. The CIP portion funds a convention and Visitor's Bureau to match the State's and private industry's investment in our effort to attract visitor's to Manchester. It also continues to support the Palace Theatre, a jewel in the crown of the Queen City and an economic dynamo that helps sustain a number of small businesses on Hanover Street. Without this support, the future of this theatre would be bleak. The CIP budget also continues a long-term investment in the renovation of school facilities and the rehabilitation of school grounds. The CIP allocation is separate and apart from the comprehensive renovations and additions that my comprehensive school facilities plan addresses. Some of the highlights of the CIP allocation for school facilities includes the addition of kindergarten space at Bakersville School, which Alderman Garrity has fought so hard for, the expansion of the library at Memorial High school, the design of significant renovations to Clem Lemire field, new roofing at Central and additional classrooms at Southside. The CIP budget also provides for the construction of the Cohas Brook Fire Station, which will be up and running in 2003. Advancement in our commitment to open an expanded senior center is also in our budget. The possible purchase of the Rhine Center, an initiative that will save significant rental fees paid by the health and welfare departments and might even generate some rental income in the short-term. Funding for agencies such as The Way Home, Families in Transition, and New Horizons will provide vital services to those struggling with housing issues in a time when it is still a very difficult housing market. The CIP budget also extends my commitment and that of the Aldermen to the neighborhoods we all serve. Significant funding will be devoted to such projects as the rehabilitation of Sheridan-Emmett Park and neighborhood beautification projects through Project Greenstreets. Federal funds will also be used, under my proposal, to hire a grant writer who will be responsible for finding and applying for sources of income from both public and private entities. This investment in the City's future is long overdue. There is no doubt in my mind that our City has missed out on millions, I repeat millions, of dollars simply because we have not had someone looking for opportunities to support much needed projects in our City. HUD officials recently told me that the average payback on such a position across the country is for every \$1 spent, \$5 are returned to local communities and there are examples of communities right here in New England where that return has been \$10 for every \$1 invested. It is time for Manchester to reawaken in this area of increased financial opportunities for our City and I urge you to support that. Through the reintroduction of the bag and tag system, this budget also confronts an environmental reality. Our increasing limited options as our output of solid waste expands and the availability of space in landfills contracts, that makes our consideration of this in this year imperative. Designing a bag and tag program on our own terms will also enable the City to position itself to respond to the annual attempts in the legislature when they have made attempts to force their version of recycling upon our community. I must admit, however, that I am somewhat reluctant to suggest bag and tag but the numbers are compelling. According to figures provided by the Highway Department, bag and tag will increase recycling and if recycling increases by only 10%, savings of almost \$300,000 in transfer and disposal costs could

result. We cannot ignore looking at these figures and if we are not successful this year I am sure at some time the City will have to face this option as other communities here in New Hampshire and in Massachusetts and across the country have done. I know this option will provoke spirited debate, but I feel an obligation to put before the Mayor and Aldermen a proposal that addresses both the fiscal and environmental needs of the City. Before we turn to the slide presentation, I want to express my sincere thanks to those who have worked so hard on this budget right up to perhaps an hour before this meeting today, especially Wayne Robinson and the people in the Finance Department, especially Kevin Clougherty and Randy Sherman who worked very closely with us over the past few weeks. A special thanks should also go to the people in each department who are responsible for drafting their departmental budgets. I also want to remind the Aldermen and the public that as Churchill once said, “This is not the end or even the beginning of the end. It is the end of the beginning.” As those seated in the room look at the figures and listen to the constituents, certain aspects of this document will be reexamined and revised. I can’t say that I am really looking forward to the process, but I am determined to produce for the citizens a plan that funds essential services in the most cost effective manner possible. Now I would like to turn to the slide presentation.

Alderman Wihby asked can we ask some questions on the numbers you have.

Mayor Baines answered no, not right now. At the end of this presentation we are also going to suggest some strategies and perhaps look at some opportunities to get the figure that is the hands of the Aldermen and the public right now down to the 6% or below figure. I think there are some opportunities to do that plus some Aldermen and people in the public might have some ideas that might also bring about some cost savings and we are looking forward to that as well. The challenges in the budget I have mentioned. Obviously some salary issues. We are in the third year of a negotiated contract with the teachers. The fringe benefits and insurance we talked about. Operating budget and contractual obligation and obviously the economy. The budget is based on the current complement of FY03 on the City side. Total salaries increased \$1.1 million or 2.25% on the City side. Again, recognizing that we are going into negotiations as well. That analyzed the expense by year. The challenges with the health benefits are that 18% and that was the figure that was given to us to use during the budget process and we are hopeful that some of the strategies that are under way, especially in this fiscal year, will actually help us reduce that cost but again that remains to be seen and also the increased dental costs. The budget is based upon the current complement. Total fringe benefits increased by \$1.5 million or 10.95%, the total package. There is a chart that shows you how it is increasing from FY02 to FY03, which creates a very significant challenge. Level funding for most departments. Total operating expense decreased by \$1.3 million and there is a chart that shows what we are doing there. If you look at the overall percentages here for the School District, the variance is 8.48%. Again, they have a contract that was approved by this Board and the School Board for 4.5% plus step increases. City departments are at 1.15% and service contracts are up 7.93%. Non-departmental is up by

4.47% and the overall increase is a little over 5.5%. Again here is the situation with the School District and the City. I believe there are some real opportunities to get this projected rate, which is in the vicinity of 8.7% as we speak based upon our present calculations, down in the category which would make all of us more comfortable. Revenue and revaluation. I think there are opportunities to look at increased revenues. We are especially monitoring, as Joan Porter will tell you, the auto registrations. One of the things about this economy that has been unique is that consumer spending has remained very, very strong. We did have a significant upward swing in April of last year, I believe around \$500,000 over the previous year. We are waiting to go through April to see if that was some kind of a fluke or if, in fact, we can project increased revenues from auto registrations and perhaps some other opportunities with building activity going on in the City. Again, that will become clear over the next two months. There are some opportunities for rental income that we will be discussing relevant to the purchase of some property and obviously the tax base. Right now the Assessors have indicated anywhere from a \$20 million to \$25 million increase in the tax base because of some of the issues of abatements that are out there. Obviously that may be revisited and if there is some expansion of a significant nature that is going to help us significantly with the tax rate as well. There are also some opportunities for an increased fund balance because some of the opportunities that we have taken...this past year as you know we had a \$1 million deficit in Welfare and thanks to the efforts of the new Commissioner of Welfare, Paul Martineau, and his staff. In trying to manage the amount of money, we feel that we may not actually realize that full deficit and we have other things that are going on with health insurance that may help as well. Again, we are going to have to watch that very closely and there is a very good chance, again with the hiring freeze and other things, that we can increase that fund balance. Also, there are some opportunities. Again there is an effort underway between the City and School District now to look at centralizing financial functions. I think we need to look at that to some degree within City government as well. There are some potential significant cost savings that could be realized if we get very serious about that and we realize that it is imperative to change the way we do business. Also, I have asked Ginny Lamberton to begin looking at some enhanced packages for perhaps some early retirement, which would allow for some potential cost savings. Also, some of the health insurance adjustments and we have already talked about rental expenses. That is basically the information. We are not going to take any questions right now. Again, there may be some issues on some of the figures that we could revise and Wayne can talk to people individually about that in some other forum as well because we were doing a lot of these calculations right at the end today.

Alderman Wihby stated I have a few questions about some of the comments that you made. One was you said, I thought you said that the number for schools was \$5 million more than last year.

Mayor Baines replied the explanation on schools is this. What we have done is we have taken the suggestion of the School District's auditor and have taken out food services and put that in a separate resolution.

Alderman Wihby asked but if you look at the total for schools it is \$10 million more.

Mayor Baines replied because of food services. Am I correct on that?

Mr. Robinson stated the FY02 number includes food services and the FY03 number does not.

Alderman Wihby asked is the school budget \$5 million more than last year total or \$10 million more than last year total.

Mr. Robinson answered \$10 million.

Alderman Wihby stated and the other thing is you said something about it represented an increase of 5.5% but yet if you look at the sheet you passed out it is 8.69%.

Mayor Baines again we will look at the calculations.

Alderman Wihby asked but this is the sheet though right.

Mr. Robinson answered yes.

Mayor Baines stated let's move to the Community Improvement Program presentation. Again, this was all handed out and I will need a motion to deal with that. The Community Improvement Program includes capital projects and special community development and public service projects necessary for the improvement of the City. The purpose is to coordinate improvement projects, provide access by the BMA and the public to information on all projects and funding, provide streamlined accounting procedures and maximize federal and state dollars for needed projects. Also, the other purpose is to minimize tax rate impacts of capital projects, provide for long-term planning of capital needs, and establish a means of setting overall community development priorities. This is the breakdown of the numbers in FY02 in comparison to FY03. CIP grants. Again these are in the thousands. This is going to education, health and human services, which is detailed on the handout, housing and community development projects, public safety projects, recreational, leisure, transportation and the environment. These are HOME funds and again these numbers are in thousands. Community management projects, education, health and human services, housing and community development, public safety, recreation and leisure, transportation and the environment. Again, in thousands this is the City Cash portion and the way the monies are being allocated under my proposal. Again bonding. We are talking about community

management and again these are in thousands, community education, community development, public safety, recreation and leisure, transportation and the environment. Schools. Again we are looking at in thousands a very significant amount of \$3.6 million. That is for the improvement program that I talked about earlier in my presentation, obviously some ADA issues and CIP Cash. Again, that is a change from the \$1 million that we had been previously allocating and that is in the School District budget. This is again in thousands the amount of money going into the parks and fields. That is the Community Improvement presentation. Again, we apologize for the misstatement on the percentage.

On motion of Alderman Lopez, duly seconded by Alderman Wihby, it was voted to refer the FY2003 CIP budget to a public hearing to be held in the Aldermanic Chambers on Wednesday, April 10, 2002 at 7 PM.

This being a special meeting of the Board, no further business was presented and on motion of Alderman Garrity, duly seconded by Alderman Thibault, it was voted to adjourn.

A True Record. Attest.

City Clerk